

Message Text

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12

ACTION ARA-20

INFO OCT-01 ADP-00 AID-20 IGA-02 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-15 USIA-12 TRSE-00 OMB-01 PC-04 COME-00 EB-11

FRB-02 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 AGR-20

CU-04 SCI-06 IO-13 RSR-01 /198 W
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R 131855Z JUL 73

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8638

INFO AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L BRASILIA 4384

E. O. 11652: GDS

TAGS: EAID, PFOR, BR

SUBJECT: US BILATERAL ASSISTANCE TO BRAZIL--IG DECISION, PART I

ARA PASS AMBASSADOR CRIMMINS

REF: A) STATE 095947; B) KINGSTON 1738 (SECTO 191); C) AIDTO A-40

1. THE COUNTRY TEAM HAS REVIEWED IG CONCLUSION TO PROGRESSIVELY PHASE-OUT AID PROGRAM BY FY 1978 AND IS PREPARING PLANS FOR COMPLIANCE WHICH WILL BE SUBMITTED PRIOR END OCTOBER.

2. THE CT HAS LONG RECOGNIZED THAT CONCESSIONAL FINANCIAL ASSISTANCE COULD NOT BE JUSTIFIED BUT CONTINUES TO REGRET THE TERMINATION OF A SMALL TECHNICAL EXCHANGE PROGRAM. THE CT CASP PROPOSAL OF \$6.0 MILLION FOR FY 1974, AND \$5.0 MILLION PER YEAR STARTING FY 75, AFTER SUBTRACTING UNAVOIDABLE COST OF PIPELINE MANAGEMENT AND ONGOING COMMITMENTS, WOULD HAVE ALLOWED \$2.5 MILLION IN FY 1974 FOR NEW
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ACTIVITIES, AND APPROXIMATELY \$1 MILLION A YEAR

THEREAFTER. THE BULK OF THIS MONEY WOULD BE USED FOR HIGH-LEVEL ACADEMIC AND SPECIALIZED TRAINING OF BRAZILIANS IN THE UNITED STATES. THESE TRAINING PROGRAMS, WHICH HAVE BEEN USED TO GREAT EFFECT TO SEED ABLE BRAZILIANS IN HIGH PUBLIC OFFICE AND KEY INSTITUTIONS, ALLOW THE U.S. AT MODEST COST TO STRENGTHEN CONTACTS WITH INFLUENTIAL INDIVIDUALS AND ELEMENTS OF THE SOCIETY. THE REMAINDER OF THE \$2.5 MILLION WOULD BE USED TO EXPOSE BRAZIL TO PROGRESSIVE IDEAS IN SCIENCE, TECHNOLOGY, MANAGEMENT, AND SOCIAL SCIENCES, AND CONTRIBUTE TO U.S. EXPORT OBJECTIVES IN THESE AREAS. CT HAS CONSISTENTLY HELD THAT STRONG RELATIONS BETWEEN THE SCIENTIFIC/MANAGERIAL/ACADEMIC COMMUNITIES OF THE TWO LARGEST COUNTRIES IN THE HEMISPHERE ARE VERY MUCH IN THE INTEREST OF BOTH; USAID TECHNICAL ASSISTANCE ACTIVITIES HAVE BEEN THE MAJOR POLICY INSTRUMENT TO THIS END.

3. CARRYING OUT THE IG POLICY WILL REQUIRE BOTH POLITICAL AND ADMINISTRATIVE PREPARATIONS WITH THE GOB AS WELL AS CERTAIN INTERNAL AID DECISIONS. THE LATTER ARE DEALT WITH IN THE NEXT FOLLOWING TELEGRAM. ON THE POLITICAL SIDE, THE ARRIVAL OF REF. A. WHICH INFORMED THE CT OF THE IG DECISION TO TERMINATE THE USAID PROGRAM TO BRAZIL COINCIDED WITH SECRETARY ROGERS' VISIT. AS REPORTED REF. B., FONIMIN GIBSON BARBOSA IN HIS DISCUSSION WITH THE SECRETARY, EXPRESSED CONCERN OVER THE TERMINATION OF U.S. BILATERAL LENDING AND REQUESTED THAT THIS POLICY BE REVIEWED AND REVISED (SEE REF. B., PARA 8). SECRETARY-GENERAL FLANZER OF THE MINISTRY OF PLANNING, IN DISCUSSION WITH UNDER-SECRETARY CASEY, STRESSED NEED FOR BOTH FINANCIAL AND TECHNICAL ASSISTANCE. UNDER-SECRETARY CASEY ASSURED FLANZER THAT U.S. WOULD NOT MAKE ANY FINAL DECISION WITHOUT CONSULTATION. A KEY ARGUMENT USED BY FONMIN AND FLANZER WAS NEGATIVE IMPACT ON OTHER AID DONORS AND INTERNATIONAL LENDING AGENCIES.

4. IN ORDER TO DEAL WITH THESE GOB VIEWS, THE
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DEPARTMENT MAY WISH TO CONSIDER PREPARING A LETTER FROM SECRETARY ROGERS TO FONMIN INDICATING THAT U.S. POLICY ON BOTH LOANS AND GRANTS HAS BEEN CAREFULLY REVIEWED. SUGGEST LETTER ADDRESS SPECIFIC CONCERN ABOUT OTHER DONORS WITH AN ASSURANCE OF CONTINUED STRONG U.S. SUPPORT FOR WORLD BANK, IDB, AND UN AGENCY PROGRAMS TO BRAZIL. LARGE EXIM FINANCING COULD ALSO BE CITED. FOLLOWING DELIVERY OF SUCH A

LETTER, USAID OFFICIALS WOULD EXPLAIN SPECIFIC
PROGRAM IMPLICATIONS TO OTHER INTERESTED GOB OFFICIALS.

CLEVELAND

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